



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Julia H. Cooper
Kerrie Romanow

SUBJECT: SEE BELOW

DATE: July 26, 2012

Approved

Date

7/26/12

**SUBJECT: AGREEMENT TO PROVIDE TEMPORARY STAFFING AT THE
WATER POLLUTION CONTROL PLANT**

RECOMMENDATION

Report on Request for Qualification (RFQ) for temporary staffing resources at the Water Pollution Control Plant (WPCP) and recommendation to:

1. Accept Telstar Instruments' proposal to provide Instrumentation Control Technicians, and Industrial Electricians; and adopt a resolution authorizing the City Manager to negotiate and execute an agreement with Telstar Instruments, not to exceed \$3,000,000 for the first twelve months of the agreement, subject to the appropriation of funds.
2. Reject all proposals for temporary staffing resources for Plant Operators and Plant Mechanics, and authorize the City Manager to enter into negotiations with any firm that can provide temporary staffing resources without further competition, with the final agreement(s) subject to Council approval.

OUTCOME

Supplement the full time work force and provide required critical resources necessary for the safe and continuous operation of the WPCP.

EXECUTIVE SUMMARY

Approval of this recommendation will provide temporary staffing resources for two critical job functions at the WPCP; Instrument Control Technicians and Industrial Electricians. Qualified staff will be provided by Telstar as required by the City, and Telstar will be compensated in arrears for actual hours worked. Approval of this recommendation will also allow staff to directly negotiate with other qualified firms for Plant Operators and Plant Mechanics.

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BACKGROUND

In the early 2000's, the Environmental Services Department (ESD) recognized that a significant number of trades and engineering staff at the WPCP would hit the age and years of service when employees historically begin retiring. In 2008 the City of San José entered into an agreement with PLS Consulting, Inc., to develop a systemic approach to support departments faced with anticipated turnover caused by retirements or by solicitation from regional utilities, government or private industry offering higher compensation, rapid promotion, and professional development opportunities. ESD was the first department to work with PLS to develop a talent management and succession plan. When the study was completed in 2008, PLS projected that 97 employees, or 46 percent of the Plant / CIP workforce, would be retirement eligible by 2013. Based upon adopted recommendations from the PLS study, ESD worked with the City Manager's Budget Office to create over strength positions to provide six to twelve months of staff overlap so that experienced WPCP staff could train their replacements.

Despite these plans and efforts, the attrition rate of trained WPCP trades and engineering staff has exceeded the City's ability to hire replacements. Actual attrition experienced between fiscal year 2008-2009 and May 2012 was 90 separations or 43% of the total Plant/CIP workforce. While the total number of separations was projected, the expedited rate of attrition and the difficulty in filling positions was not anticipated. In addition to vacancies due to retirements, staff is resigning to accept positions with other public agencies with higher compensation packages. Some employees leaving the Plant Operator series have left for higher compensation in lower level classifications at other agencies. The vacancy rate for critical Plant classifications of Plant Operators, Plant Mechanics, Instrumentation Control Technicians, and Electricians with industrial/high voltage experience has grown from a low of 5% in 2007-2008 to approximately 19% as of May 2012.

As illustrated by the growing vacancy rate, the WPCP has and continues to experience severe staffing shortages. To cover shifts and complete critical work, staff is working considerable amounts of overtime. For example, in Fiscal Year 2007-2008, the average amount of annual overtime worked by employees in Plant Operators series was approximately 250 hours per employee. In Fiscal Year 10/11 through May 2012, the annual overtime worked for employees in the Plant Operators series was 336 hours per employee. While overtime will continue to be required, the WPCP cannot continue to depend upon employees' ability to work such high levels of overtime to staff critical WPCP functions.

ESD is taking a three-pronged approach to address the critical staffing needs at the WPCP. First, the Plant Operators series was amended from single level classifications, to two- or three-level classifications (i.e., Plant Operator to Plant Operator I, Plant Operator II, Plant Operator III, etc.). To promote to the next higher level in the two or three level series, employees must satisfy length of time in class and certification requirements. Second, the certification requirements for the Plant Operator series was lowered to attract a larger candidate pool for entry-level positions. Third, as a short-term solution, ESD conducted this RFQ to bring onboard temporary staffing

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from third party vendors to temporarily fill critical vacancies at the lower levels within the Operations and Maintenance Divisions of the Plant.

ANALYSIS

On June 25, 2012, the City issued a RFQ on the City's e-procurement system seeking firms that can provide qualified temporary staff for the WPCP. Firms were permitted to submit proposals for all or any combination of the four required labor classifications. 43 firms viewed the RFQ, and proposals or "statements of qualifications" were received from four firms by the July 6, 2012 deadline from:

- Veolia Water
- Telstar Instruments
- Lead Staffing
- Abacus

As permitted by the RFQ process, Telstar submitted a proposal for two of the four required positions; Instrumentation Control Technicians and Industrial Electricians. The other proposers submitted proposals for all four labor classifications.

The proposals were reviewed and evaluated by a three member evaluation team from the ESD. The evaluation criteria were Experience (40%); Availability of Resources (40%); Cost (10%) and Local/Small Business Enterprise (10%).

The evaluation team scored and ranked each statement of qualifications. Based on their higher scores, Veolia and Telstar were invited to meet with City staff for oral interviews and further discussions.

Veolia's written proposal represented that they would partner with a local staffing agency (Aerotek) to provide resources within one month of receiving a notice to proceed. However, when they met with City staff to describe how they would accomplish this, they were only prepared to address their alternate proposal of assuming responsibility for the entire operation of the WPCP, a proposal that the City cannot accept through this procurement process. Veolia was not prepared to discuss how they would address the requirements of the RFQ to provide the temporary staffing for specific labor categories that was requested in the RFQ. At this point, staff determined that their proposal was non responsive to the City's requirements and rejected Veolia's proposal, in its entirety.

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Telstar's oral interview was very favorable, and they have resources available for immediate assignment. However, Telstar only specializes in staffing resources for Instrumentation Control Technicians and Industrial Technicians. They cannot provide Plant Operators and Plant Mechanics.

Proposers Abacus and Lead Staffing are temporary staffing agencies that submitted generic information about their firm. Neither firm had available or immediate access to staff. In addition, neither firm demonstrated that they understood the marketplace for these resources, and they both submitted estimates for hourly rates to the City that were well below the required Prevailing Wage that must be paid for these resources. Both of these facts indicated that neither proposer was qualified to or capable of supplying the necessary qualified personnel per the RFQ.

The outcome of the RFQ process was that no viable proposals were received that address the City's staffing requirements for Plant Operators and Plant Mechanics.

In the event that the City is approached by a firm, or staff identifies a source of supply for these two labor categories, then staff recommends that Council authorizes the City Manager to negotiate with any firm or firms that can provide these resources, without a further competitive process, and bring back the agreement(s) for Council approval.

Staff is recommending initiating negotiations with Telstar. The negotiation outcome will be to complete a master agreement that will define business and legal terms and conditions. Once the agreement is executed, the City will request resources as required by using a "release" process, such as a purchase order, to request the quantity of resources and their related disciplines. The City will reimburse the vendors for actual hours worked at the hourly rates as defined in the master agreement.

Telstar submitted the following fully loaded hourly rates (inclusive of all statutory costs, mark-up, etc) for the two labor classifications that they proposed:

Instrument Control Technician:

Straight Time:	\$115.00
Overtime:	\$149.50
Holiday:	\$207.00
Swing:	\$132.25
Graveyard:	\$132.25

Industrial Electrician:

Straight Time:	\$130.00
Overtime:	\$169.00
Holiday:	\$234.00
Swing:	\$149.55
Graveyard:	\$149.50

In the event that Telstar cannot provide the required personnel, staff will seek personnel through an informal process based upon the Council direction.

Prevailing Wage: As previously discussed, vendors will be required to pay the Prevailing Wage for each of the labor classifications as required under these agreements.

EVALUATION AND FOLLOW-UP

The City will compensate Telstar for actual hours worked. Telstar will be responsible for providing their staff with all required tools, uniforms, and protective clothing.

ESD will return to Council during the mid-year budget process with any required appropriation adjustments required for this agreement. Additionally, approval of agreements for providing staffing resources for plant operators and plant mechanics will be brought forward to Council for review and approval.

POLICY ALTERNATIVES

Alternative #1: Hire full time employees.

Pros: A permanent solution

Cons: Hiring FTE's will take time, will not address the immediate staffing needs at the Plant, and recent recruitment efforts to fully staff these positions have been unsuccessful. Staff will be conducting a more detailed evaluation to determine the reasons for the unsuccessful recruitment efforts.

Alternative #2: Engage a recruiting firm to successfully bring on temporary workers and hire full time employees.

Pros: An outside firm may have a greater experience and networks to identify and engage qualified candidates. There may be variations in this model to include temp to hire and others to be determined.

Cons: This option may be more expensive than using City recruiters.

Alternative #3: Outsource the entire operation of the plant.

Pros: The burden of recruiting operations and maintenance staff would be borne by another entity.

Cons: The city will lose operational control over a significant part of our infrastructure. The cost may exceed current budgets and the contracting out process would result in a faster exodus of current staff. The contracting out process would take significant effort and time to develop to adequately protect the ratepayers, City of San José, City of Santa Clara and tributary agencies.

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PUBLIC OUTREACH/INTEREST

- ☒ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- ☐ **Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- ☐ **Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This item meets Criterion 1 and will be posted on the City's website for the August 14, 2012 Council agenda. This item will also be heard at the August 2, 2012 Treatment Plant Advisory Committee (TPAC) meeting.

COORDINATION

This memorandum was coordinated with the Department of Public Works/Office of Equality Assurance, Office of Employee Relations, Department of Human Resources, City Manager's Budget Office and the City Attorney's Office.

This item is scheduled to be heard at the August 2, 2012 TPAC meeting.

FISCAL POLICY ALIGNMENT

This action is consistent with Council approved Budget Strategy to focus on protecting vital core City services for both the short and long term.

COST SUMMARY/IMPLICATIONS

The cost estimate for a master agreement with Telstar to provide temporary Instrument Control Technicians and Industrial Electricians is as follows:

FY 2012-13				
	Estimated Temporary Staffing	Hourly Cost	11-month term (in hours)	Estimated Total Cost
Instrument Control Technicians	6	\$115.00	1,907	\$1,315,830
Industrial Electricians	3	\$130.00	1,907	743,730
Total FY 2012-13	9			\$2,059,560
FY 2013-14				
	Estimated Temporary Staffing	Hourly Cost	12-month term (in hours)	Estimated Total Cost
Instrument Control Technicians	6	\$115.00	2,080	\$1,435,200
Industrial Electricians	3	\$130.00	2,080	811,200
Total FY 2013-14	9			\$2,246,400

This master agreement would be funded from the ESD Non-Personal/Equipment appropriation in the San José /Santa Clara Treatment Plant Operating Fund. Any adjustment to the appropriation required by this agreement would be covered by existing fund balance, and would be brought forward by the Administration during the mid-year budget process.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	RC #	Total Appn	Amt. for Contract	Proposed Budget (Page)	Last Budget Action (Date, Ord. No.)
513	0762	Non-Personal / Equipment	900000	\$29,754,290	t.b.d.	XI-85	6/19/12, Ord. No. 29102

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CEQA

Not a Project, File No.PP10-0666 (a), Agreements and Contracts for Professional Services

/s/

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Acting Director of Finance

/s/

KERRIE ROMANOW
Acting Director of Environmental Services

For questions please contact Mark Giovannetti, Purchasing Division Manager, at 408-535-7052 or Ashwini Kantak, Acting ESD Assistant Director, at 408-535-8147.